



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

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OCT 07 2010

Div. of Oil, Gas & Mining

File: UTU-74631
UTU-74640
Office: (UT-090)

Date: 10/07/10
To: Minerals File UTU-74631 and UTU-74640
From: Ted McDougall, Geologist
Subject: Surface Management Site Inspection, Utah Energy Corp., Daneros Project, UTU-74631 (M037/0121) and Lark-Royal Project, UTU-74640 (E037/0166), Bullseye Canyon, San Juan County, Utah.

Date of Inspection: 10/06/10
Time of Inspection: 10:30 A.M.
Participants: Ted McDougall, Mike Shumway, Don Hamilton, Taylor Shumway, Mel Swanson
Legal Description: T. 37 S., R. 18 E., Section 06
Mining Claims Involved: Daneros 1-4, 17, Tessa 4 and Lark Group
Claimant/Operator: Utah Energy Corp. (UEC)
Bond Amount: Daneros - \$81,120; Lark/Royal Project - \$29,530

Daneros Mine/ UTU-74631

Ore production is continuing at an average rate of approximately 5,000 tons per month. The wash crossing between the portal area and the ore pad is causing some difficulty for equipment crossing during periods of inclement weather. The operator has applied to the State of Utah for a stream alteration permit to place three 5-ft culverts in the wash crossing. The culverts are on site awaiting approval from the state before construction work begins. UEC is considering adding the old Lark and Bullseye adits and associated pads to its permit area. This would provide additional material stockpile areas and also improve ventilation to the mine. We looked at both sites briefly. I told Mike that a modification of the Plan of Operations would be required to increase the permit area by the estimated 4-6 acres. This would entail additional NEPA analysis.

Lark-Royal Project/UTU-74640

Nineteen of the 63 drill holes have been completed under the Notice for the Lark-Royal project. All 19 holes have been plugged but seeding has not been done. Holes are within the roads which will be used to access remaining drill sites. Therefore, road rehab and seeding will be postponed until all holes have been drilled. Road work is being kept to the minimum necessary for the rig to access drill

sites. The operator is maintaining a list of all holes drilled and plugged for eventual submittal to UDOGM and BLM when project is complete.



Daneros Mine: View from ore/waste rock area toward portal area showing wash crossing between the two areas. Note culverts to be installed in wash crossing.





Lark-Royal Project: Typical small drill sites. Holes are plugged at surface with concrete and a rebar marker. Sites have not been seeded.

